



LAINGSBURG, SCIOTA, WOODHULL
EMERGENCY SERVICES AUTHORITY
Shiawassee and Clinton Counties, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2005

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Laingsburg, Sciota, Woodhull Emergency Services Authority	County Shiawassee and Clinton
Audit Date March 31, 2005	Opinion Date May 24, 2005	Date Accountant Report Submitted to State: July 14, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

LAINGSBURG, SCIOTA, WOODHULL
EMERGENCY SERVICES AUTHORITY
Shiawassee and Clinton Counties, Michigan

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-4
Basic Financial Statements:	
Government-wide Financial Statements:	
Government-wide Statement of Net Assets	5
Government-wide Statement of Activities	6
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	7
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets	8
Statement of Revenues, Expenditures, and Changes in Fund Balances	9-10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Notes to Financial Statements	12-16
Required Supplemental Information:	
Budgetary Comparison Schedule – Fire Fund	17
Budgetary Comparison Schedule – Ambulance Fund	18

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

INDEPENDENT AUDITOR'S REPORT

May 24, 2005

To the Authority Commission
Laingsburg, Sciota, Woodhull Emergency Services Authority
Shiawassee and Clinton Counties, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Laingsburg, Sciota, Woodhull Emergency Services Authority, Shiawassee and Clinton Counties, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Laingsburg, Sciota, Woodhull Emergency Services Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Laingsburg, Sciota, Woodhull Emergency Services Authority, Shiawassee and Clinton Counties, Michigan as of March 31, 2005, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Authority has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

LAINGSBURG, SCIOTA, WOODHULL
EMERGENCY SERVICES AUTHORITY
Shiawassee and Clinton Counties, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2005

The Management's Discussion and Analysis report of the LSW Emergency Services Authority ("the Authority") covers the Authority's financial performance during the year ended March 31, 2005. The Authority has two divisions, the Fire Division and the Ambulance Division.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2005, totaled \$1,202,495.84 for governmental activities. Capital assets increased with the Ambulance Division's purchase of a 2003 Marque Type III ambulance for \$86,000.00 that replaced a fully depreciated ambulance. The Fire Division acquired a set of Jaws of Life through a donation from AAA Insurance Company, increasing capital assets in the Fire Division by \$20,302.60.

Overall revenues were \$358,324.34. The Ambulance Division generated \$149,843.59 while the Fire Division generated \$208,480.75. Governmental activities had a \$32,512.51 increase in net assets.

The Fire Divisions main revenue is from one mill that is collected from the City of Laingsburg, Sciota Township, Woodhull Township and a portion of Bennington Township. The total taxable value is \$166,903,000.00, which has increased from last year.

The Ambulance Division has two main sources of revenue. The Ambulance collects \$30 per household from the City of Laingsburg, Sciota Township and a portion of Woodhull Township. The total of the special assessment equals \$51,090.00, with a total of 1,703 households. The number of households has been increasing annually due to the area's growth.

New debt was incurred in the amount of \$56,000.00 for the purchase of a new ambulance. The Ambulance Division paid \$30,000.00 down by cashing in certificates of deposit that had been earmarked for the purchase of a new ambulance.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Authority and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Authority in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

LAINGSBURG, SCIOTA, WOODHULL
EMERGENCY SERVICES AUTHORITY
Shiawassee and Clinton Counties, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Authority as a whole using accounting methods used by private companies. The statement of net assets includes all of the Authority's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Authority are reported as governmental activities. These include the Ambulance Fund and the Fire Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Authority's funds, focusing on significant (major) funds not the Authority as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Authority also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Authority has the following types of funds:

Governmental funds: All of the Authority's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Authority's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Authority's governmental activities include the Ambulance Fund and the Fire Fund.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

Our cash position is strong. The Authority owns the land and the building free of debt or obligation.

The Authority's equipment is all paid in full with the exception of \$66,923.54 on a 2002 Fire Truck and \$56,000.00 on a 2003 Ambulance.

The Authority leased a new building from Woodhull Township with no cost to the Authority.

FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS

The Ambulance Fund pays for all of the Authority's ambulance operations which totaled \$247,661.97.

The Fire Fund pays for all of the Authority's fire operations which totaled \$186,783.20.

LAINGSBURG, SCIOTA, WOODHULL
EMERGENCY SERVICES AUTHORITY
Shiawassee and Clinton Counties, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Authority's governmental activities invested \$106,302.60 in capital assets.

The Authority's governmental activities paid \$50,279.47 of principal on contracts payable.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Authority's revenue is based on taxable value and households, both of which continue to increase.

CONTACTING THE AUTHORITY'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Authorities finances and to demonstrate the Authority's accountability for the revenues it receives. If you have any questions concerning this report please contact the Authority's Chairman at 7425 Woodbury Road, Laingsburg, Michigan or by calling 517-651-2638.

LAINGSBURG, SCIOTA, WOODHULL
EMERGENCY SERVICES AUTHORITY
Shiawassee and Clinton Counties, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

March 31, 2005

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	338 705 21
Petty cash	150 00
Due from other units	5 154 26
Accounts receivable	<u>30 639 60</u>
Total Current Assets	<u>374 649 07</u>
NON-CURRENT ASSETS:	
Capital Assets	1 373 941 20
Less: Accumulated Depreciation	<u>(409 516 73)</u>
Total Non-current Assets	<u>964 424 47</u>
TOTAL ASSETS	<u>1 339 073 54</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	8 741 37
Accrued wages	<u>4 912 79</u>
Total Current Liabilities	<u>13 654 16</u>
NON-CURRENT LIABILITIES:	
Contracts payable	<u>122 923 54</u>
Total Non-current Liabilities	<u>122 923 54</u>
Total Liabilities	<u>136 577 70</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	841 500 93
Unrestricted	<u>360 994 91</u>
Total Net Assets	<u>1 202 495 84</u>
TOTAL LIABILITIES AND NET ASSETS	<u>1 339 073 54</u>

The accompanying notes are an integral part of these financial statements.

LAINGSBURG, SCIOTA, WOODHULL
EMERGENCY SERVICES AUTHORITY
Shiawassee and Clinton Counties, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

		Program Revenue		Governmental Activities
				Net (Expense)
	Expenses	Charges for Services	Operating Grants - Contributions	Revenue and Changes in Net Assets
FUNCTIONS/PROGRAMS				
Governmental Activities:				
Public safety	319 660 38	94 549 42	7 095 00	(218 015 96)
Interest on long-term debt	<u>6 151 45</u>	<u>-</u>	<u>-</u>	<u>(6 151 45)</u>
Total Governmental Activities	<u>325 811 83</u>	<u>94 549 42</u>	<u>7 095 00</u>	<u>(224 167 41)</u>
General Revenues:				
Appropriations from other local units				226 026 15
Interest				2 161 49
Miscellaneous				<u>28 492 28</u>
Total General Revenues				<u>256 679 92</u>
Change in net assets				32 512 51
Net assets, beginning of year				<u>1 169 983 33</u>
Net Assets, End of Year				<u>1 202 495 84</u>

The accompanying notes are an integral part of these financial statements.

LAINGSBURG, SCIOTA, WOODHULL
EMERGENCY SERVICES AUTHORITY
Shiawassee and Clinton Counties, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2005

	<u>Fire</u>	<u>Ambulance</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	268 944 59	69 760 62	338 705 21
Petty cash	150 00	-	150 00
Due from other units	-	5 154 26	5 154 26
Accounts receivable	5 120 00	25 519 60	30 639 60
Due from other funds	<u>536 38</u>	<u>-</u>	<u>536 38</u>
Total Assets	<u>274 750 97</u>	<u>100 434 48</u>	<u>375 185 45</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts payable	7 490 39	1 250 98	8 741 37
Accrued wages	-	4 912 79	4 912 79
Due to other funds	<u>-</u>	<u>536 38</u>	<u>536 38</u>
Total liabilities	<u>7 490 39</u>	<u>6 700 15</u>	<u>14 190 54</u>
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	<u>267 260 58</u>	<u>93 734 33</u>	<u>360 994 91</u>
Total fund equity	<u>267 260 58</u>	<u>93 734 33</u>	<u>360 994 91</u>
Total Liabilities and Fund Equity	<u>274 750 97</u>	<u>100 434 48</u>	<u>375 185 45</u>

The accompanying notes are an integral part of these financial statements.

LAINGSBURG, SCIOTA, WOODHULL
EMERGENCY SERVICES AUTHORITY
Shiawassee and Clinton Counties, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	360 994 91
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	1 373 941 20
Accumulated depreciation	(409 516 73)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds	<u>(122 923 54)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>1 202 495 84</u>

The accompanying notes are an integral part of these financial statements.

LAINGSBURG, SCIOTA, WOODHULL
EMERGENCY SERVICES AUTHORITY
Shiawassee and Clinton Counties, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>Fire</u>	<u>Ambulance</u>	<u>Total</u>
Revenues:			
Appropriations from other local units:			
City of Laingsburg	19 191 64	16 620 00	35 811 64
Township of Sciota	40 584 41	20 310 00	60 894 41
Township of Woodhull	106 667 66	14 160 00	120 827 66
Township of Bennington	8 492 44	-	8 492 44
Charges for services	3 725 99	90 823 43	94 549 42
Federal grant	7 095 00	-	7 095 00
Interest	1 631 91	529 58	2 161 49
Miscellaneous	21 091 70	7 400 58	28 492 28
	<u>208 480 75</u>	<u>149 843 59</u>	<u>358 324 34</u>
Total revenues			
Expenditures:			
Public safety:			
Commission wages	1 360 00	1 280 00	2 640 00
Operating wages	23 627 00	56 984 65	80 611 65
Officers	9 600 00	1 500 00	11 100 00
Secretary	3 000 00	5 625 00	8 625 00
Payroll taxes	2 875 41	5 002 31	7 877 72
Office supplies	2 004 66	1 109 81	3 114 47
Operating supplies	934 80	3 417 46	4 352 26
Uniforms	4 235 97	-	4 235 97
Professional services	9 875 39	23 981 41	33 856 80
Memberships and dues	150 00	400 00	550 00
Physicals	200 00	190 00	390 00
Telephone	3 247 41	638 30	3 885 71
Radio maintenance	4 562 00	2 101 01	6 663 01
Transportation	1 559 58	-	1 559 58
Gasoline	3 210 87	1 637 87	4 848 74
Printing	15 00	15 00	30 00
Insurance	34 432 23	10 165 43	44 597 66
Utilities	7 462 51	1 655 00	9 117 51
Equipment maintenance	1 532 27	3 520 85	5 053 12
Vehicle maintenance	6 912 13	5 380 64	12 292 77
Building expense	1 247 82	3 600 00	4 847 82
Snow plowing	780 00	-	780 00
Training	12 880 27	235 00	13 115 27
Miscellaneous	5 755 28	1 791 31	7 546 59
Capital outlay	20 302 60	86 000 00	106 302 60
Debt service	25 000 00	31 430 92	56 430 92
	<u>186 763 20</u>	<u>247 661 97</u>	<u>434 425 17</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>21 717 55</u>	<u>(97 818 38)</u>	<u>(76 100 83)</u>

The accompanying notes are an integral part of these financial statements.

LAINGSBURG, SCIOTA, WOODHULL
EMERGENCY SERVICES AUTHORITY
Shiawassee and Clinton Counties, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>Fire</u>	<u>Ambulance</u>	<u>Total</u>
Other financing sources (uses):			
Loan proceeds	<u>-</u>	<u>56 000 00</u>	<u>56 000 00</u>
Total other financing sources (uses)	<u>-</u>	<u>56 000 00</u>	<u>56 000 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	21 717 55	(41 818 38)	(20 100 83)
Fund balances, April 1	<u>245 543 03</u>	<u>135 552 71</u>	<u>381 095 74</u>
Fund Balances, March 31	<u>267 260 58</u>	<u>93 734 33</u>	<u>360 994 91</u>

The accompanying notes are an integral part of these financial statements.

LAINGSBURG, SCIOTA, WOODHULL
EMERGENCY SERVICES AUTHORITY
Shiawassee and Clinton Counties, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (20 100 83)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(47 968 73)
Capital Outlay	106 302 60

Repayment of debt principal is an expenditure in the governmental funds, the repayment does not have an effect in the statement of activities but does reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	50 279 47
--------------------------------------	-----------

Repayment of debt principal in the form of loan proceeds is a financing source in the governmental funds, the receipt does not have an effect in the statement of activities but does reduce the debt balance in the statement of net assets.

Principal receipts on long-term debt	(56 000 00)
--------------------------------------	-------------

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>32 512 51</u>
---	------------------

The accompanying notes are an integral part of these financial statements.

LAINGSBURG, SCIOTA, WOODHULL
EMERGENCY SERVICES AUTHORITY
Shiawassee and Clinton Counties, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Laingsburg, Sciota, Woodhull Emergency Services Authority, Shiawassee and Clinton Counties, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Authority contain all the Authority funds that are controlled by or dependent on the Authority's executive or legislative branches.

The reporting entity is the Laingsburg, Sciota, Woodhull Emergency Services Authority. The Authority is governed by an appointed Commission. As required by generally accepted accounting principles, these financial statements present the Authority as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Authority's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

LAINGSBURG, SCIOTA, WOODHULL
EMERGENCY SERVICES AUTHORITY
Shiawassee and Clinton Counties, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The Authority reports two funds, the Fire Fund and the Ambulance Fund.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Authority. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

The Authority does not levy any property taxes.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Authority as assets with an initial cost of more than \$10,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	75 years
Vehicles and equipment	10-25 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Authority provides no post-employment benefits to past employees.

LAINGSBURG, SCIOTA, WOODHULL
EMERGENCY SERVICES AUTHORITY
Shiawassee and Clinton Counties, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2004, the Authority implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Authority's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Authority's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Authority's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$964,424.47.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Authority Commission for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Authority Commission.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Authority Commission.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Authority Commission during the fiscal year.

LAINGSBURG, SCIOTA, WOODHULL
EMERGENCY SERVICES AUTHORITY
Shiawassee and Clinton Counties, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Authority to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Authority has designated four banks for the deposit of Authority funds. The investment policy adopted by the Authority Commission in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Authority's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>338 705 21</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	284 923 24
Uninsured and Uncollateralized	<u>58 651 42</u>
Total Deposits	<u>343 574 66</u>

The Authority did not have any investments as of March 31, 2005.

Note 4 – Capital Assets

Capital asset activity of the Authority's Governmental activities for the current year was as follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/05</u>
<u>Governmental Activities:</u>				
Land	12 500 00	-	-	12 500 00
Building	450 000 00	-	-	450 000 00
Vehicles and equipment	<u>805 138 60</u>	<u>106 302 60</u>	-	<u>911 441 20</u>
Total	1 267 638 60	106 302 60	-	1 373 941 20
Accumulated Depreciation	<u>(361 548 00)</u>	<u>(47 968 73)</u>	-	<u>(409 516 73)</u>
Net Capital Assets	<u>906 090 60</u>	<u>58 333 87</u>	-	<u>964 424 47</u>

LAINGSBURG, SCIOTA, WOODHULL
EMERGENCY SERVICES AUTHORITY
Shiawassee and Clinton Counties, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

Note 5 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/05</u>
Contract payable – ambulance	28 367 01	-	28 367 01	-
Contract payable – ambulance	-	56 000 00	-	56 000 00
Contract payable – fire truck	<u>88 836 00</u>	<u>-</u>	<u>21 912 46</u>	<u>66 923 54</u>
Total	<u><u>117 203 01</u></u>	<u><u>56 000 00</u></u>	<u><u>50 279 47</u></u>	<u><u>122 923 54</u></u>

During the year 1997 a loan was obtained in the amount of \$58,783.00 from a bank to be used toward the purchase of an ambulance. The contract payable required ten annual payments in the amount of \$8,379.86 including interest. The loan was paid in full during the year ended March 31, 2005.

On January 5, 2005, the Authority obtained a loan in the amount of \$56,000.00 from a bank to be used toward the purchase of an ambulance. The contract payable includes interest at the rate of 4.125% per annum and is due in eight annual installments, through January 15, 2013. The principal balance outstanding as of March 31, 2005, was \$56,000.00.

On April 17, 2003, the Authority obtained a loan in the amount of \$88,836.00 from a bank to be used toward the purchase of a fire truck. The contract payable includes interest at the rate of 3.40% per annum and is due in five annual installments, through April 25, 2008. The principal balance outstanding as of March 31, 2005 was \$66,923.54.

Note 6 – Deferred Compensation Plan

The Authority does not have a deferred compensation plan.

Note 7 – Pension Plan

The Authority does not have a pension plan.

Note 8 – Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Authority has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

LAINGSBURG, SCIOTA, WOODHULL
EMERGENCY SERVICES AUTHORITY
Shiawassee and Clinton Counties, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Appropriations from other local units:				
City of Laingsburg	19 028 00	19 028 00	19 191 64	163 64
Township of Sciota	38 102 00	38 102 00	40 584 41	2 482 41
Township of Woodhull	102 173 00	102 173 00	106 667 66	4 494 66
Township of Bennington	7 600 00	7 600 00	8 492 44	892 44
Charges for services	3 600 00	3 600 00	3 725 99	125 99
Federal grant	-	-	7 095 00	7 095 00
Interest	1 500 00	1 500 00	1 631 91	131 91
Miscellaneous	<u>225 00</u>	<u>225 00</u>	<u>21 091 70</u>	<u>20 866 70</u>
Total revenues	<u>172 228 00</u>	<u>172 228 00</u>	<u>208 480 75</u>	<u>36 252 75</u>
Expenditures:				
Public safety:				
Fire protection	158 230 00	146 855 00	141 460 60	(5 394 40)
Capital outlay	8 998 00	20 373 00	20 302 60	(70 40)
Debt service	<u>25 000 00</u>	<u>25 000 00</u>	<u>25 000 00</u>	<u>-</u>
Total expenditures	<u>192 228 00</u>	<u>192 228 00</u>	<u>186 763 20</u>	<u>(5 464 80)</u>
Excess (deficiency) of revenues over expenditures	(20 000 00)	(20 000 00)	21 717 55	41 717 55
Fund balance, April 1	<u>20 000 00</u>	<u>20 000 00</u>	<u>245 543 03</u>	<u>225 543 03</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>267 260 58</u>	<u>267 260 58</u>

LAINGSBURG, SCIOTA, WOODHULL
EMERGENCY SERVICES AUTHORITY
Shiawassee and Clinton Counties, Michigan

BUDGETARY COMPARISON SCHEDULE – AMBULANCE FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Appropriations from other local units:				
City of Laingsburg	15 900 00	15 900 00	16 620 00	720 00
Township of Sciota	19 620 00	19 620 00	20 310 00	690 00
Township of Woodhull	13 710 00	13 710 00	14 160 00	450 00
Charges for services	65 000 00	65 000 00	90 823 43	25 823 43
Interest	1 000 00	1 000 00	529 58	(470 42)
Miscellaneous	-	-	7 400 58	7 400 58
Total revenues	<u>115 230 00</u>	<u>115 230 00</u>	<u>149 843 59</u>	<u>34 613 59</u>
Expenditures:				
Public safety:				
Ambulance	120 630 00	136 360 00	130 231 05	(6 128 95)
Capital outlay	24 600 00	86 000 00	86 000 00	-
Debt service	-	32 000 00	31 430 92	(569 08)
Total expenditures	<u>145 230 00</u>	<u>254 360 00</u>	<u>247 661 97</u>	<u>(6 698 03)</u>
Excess (deficiency) of revenues over expenditures	<u>(30 000 00)</u>	<u>(139 130 00)</u>	<u>(97 818 38)</u>	<u>41 311 62</u>
Other financing sources (uses):				
Loan proceeds	-	56 000 00	56 000 00	-
Total other financing sources (uses)	<u>-</u>	<u>56 000 00</u>	<u>56 000 00</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(30 000 00)</u>	<u>(83 130 00)</u>	<u>(41 818 38)</u>	<u>41 311 62</u>
Fund balance, April 1	<u>30 000 00</u>	<u>83 130 00</u>	<u>135 552 71</u>	<u>52 422 71</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>93 734 33</u>	<u>93 734 33</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 24, 2005

To the Authority Commission
Laingsburg, Sciota, Woodhull Emergency Services Authority
Shiawassee and Clinton Counties, Michigan

We have audited the financial statements of the Laingsburg, Sciota, Woodhull Emergency Services Authority for the year ended March 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Laingsburg, Sciota, Woodhull Emergency Services Authority in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Authority Commission
Laingsburg, Sciota, Woodhull Emergency Services Authority
Shiawassee and Clinton Counties, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2005. The implementation of this pronouncement for the Laingsburg, Sciota, Woodhull Emergency Services Authority began with the year ended March 31, 2005. The daily operations and recording transactions did not change significantly, however, the Authority is required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Authority's financial statements and this communication of these matters does not affect our report on the Authority's financial statements, dated March 31, 2005.

To the Authority Commission
Laingsburg, Sciota, Woodhull Emergency Services Authority
Shiawassee and Clinton Counties, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants